

Weekly Update – Week 180

A major turning point in the last few hours as the price of bitcoin has moved back north of \$40,000, and Ethereum is approaching \$3,000 again. While the technical picture remains in a zone of uncertainty, indicators that the worst is behind us seem to be multiplying. We will come back to the price evolution and the scenarios to be observed in the second half of this letter, let's first review the news of the last seven days. They have been particularly relevant during this period, doing a real 180 degrees from the sentiment at the beginning of the month.

Indeed, this month's correction was accompanied by its share of pessimistic news, ranging from a cryptocurrency ban in China, rising inflation, a disavowal of the asset by Elon Musk after he praised it, and then a presumption of a tighter regulatory framework against cryptocurrencies in the United States.

Then, all of a sudden, the good news seemed to take over the markets. Elon Musk first announced that he had met with some major miners in an attempt to create a council addressing the negative environmental impact of the industry. While this idea is far from unanimous, it at least puts an end to Musk's negative tirades on the subject.

Bitcoin is officially a new asset class. While we've long considered it as such, that view is now shared by Goldman Sachs Bitcoin is now considered an investable asset. It has its own idiosyncratic risk, partly because it's still relatively new and going through an adoption phase," said Mathew McDermott, Goldman Sachs' global head of digital assets, in a new piece of research. "And it doesn't behave as one would intuitively expect relative to other assets given the analogy to digital gold; to date, it's tended to be more aligned with risk-on assets. But clients and beyond are largely treating it as a new asset class, which is notable—it's not often that we get to witness the emergence of a new asset class."

The legendary Ray Dalio, billionaire founder of Bridgewater Associates, also for the first time admitted to holding some bitcoins himself. The man described as the king of hedge funds went on to make a powerful statement at a recent conference, proclaiming that he prefers to hold bitcoins to bonds. While many point to the volatility of cryptocurrencies as the biggest risk for investors, Dalio disagrees, saying government oversight is the thing to watch, saying Bitcoin's "biggest risk is its success."

Ark Investment, Cathie Wood's firm that exploded in notoriety in the tech sector's bull run, also went ahead with an investment showing its confidence in the digital currency industry. A purchase of about \$20M in bitcoins was indeed made during the correction of the last weeks. In an interview with Bloomberg, Wood said she believes bitcoin is simply at a discount right now.

She added that she expects the mother of all cryptocurrencies to eventually trade at \$500,000 apiece.

U.S. tech conglomerate Globant, worth about \$8.6 billion, is the latest to convert some of its treasury into bitcoin. In official SEC filings, it says that "during the first quarter of 2021, the company purchased a total of \$500,000 in cryptographic assets, consisting solely of bitcoin."

Hardware wallets are considered the standard for securing and storing crypto assets. The leader in this industry is unquestionably Ledger and its Nano keys. Proof that investors are multiplying during this bullish year, the company's sales jumped 500% in the first quarter. It's also interesting to note that these portfolios are often used primarily for long-term custody, while traders need to hold their assets on the exchanges.

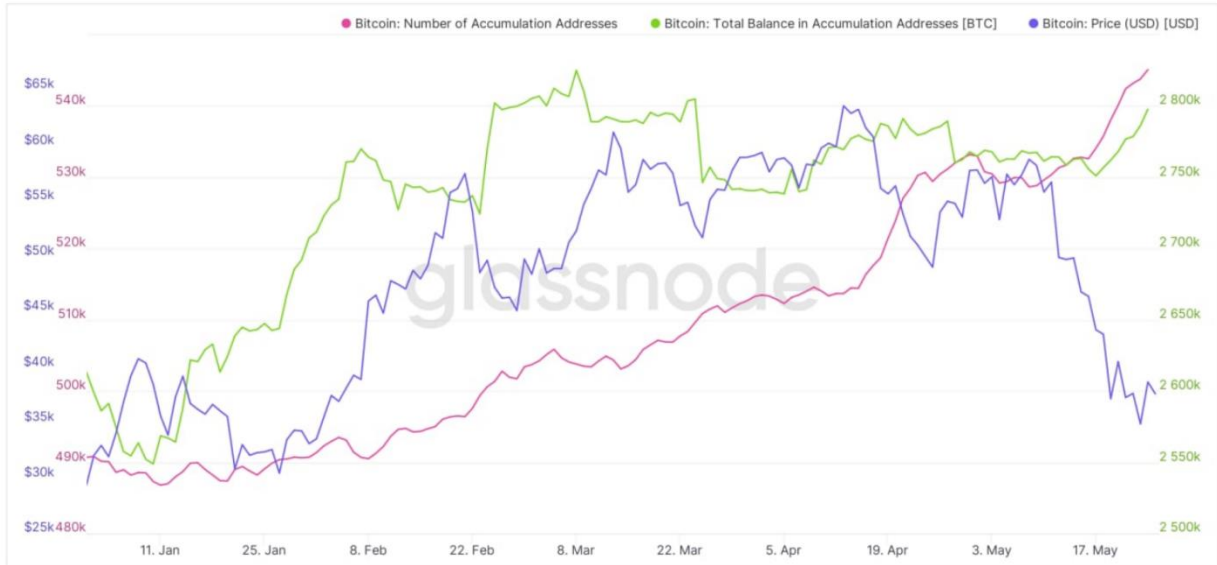
Motorsports fans, keep an eye on the Indianapolis 500 on Sunday. Indeed, the Lightning Network's lead developer, Zap Jack Mellers, had the idea to enter a car in BTC colors. Driver Ed Carpenter will be behind the wheel. In addition to giving bitcoin public visibility, the operation is intended to raise donations. 70% of the proceeds will go to fund the development of bitcoin, with the remainder going to cover the sponsorship of the car, as well as supporting Indianapolis charities.



Now let's look at the market itself. At first glance, the price of bitcoin is definitely in a zone of uncertainty. On the positive side, we finally regained the 200-hour moving average overnight. It had been broken on May 12th, at a price of \$57,000, with the subsequent decline that we all know. The 200-day moving average is still serving as resistance, now sitting at \$40,630. In the short term, it is the battle between these two levels that we are watching with great attention.

Nonetheless, there are several indicators that give reason for cautious optimism going forward. Let's share some data from this interesting [quantitative analysis](#). We can see on the following chart that over the last three months, the largest wallets, called the whales, had stopped increasing the amount of bitcoins in their wallets (green line). In short, they are mainly, along with the miners, those who sold during the correction. Other data shows that it was the smaller wallets, probably those of retail investors, which were buyers at the time. In short, a normal market trend.

Bitcoin: Number of Accumulation Addresses vs. Bitcoin: Total Balance in Accumulation Addresses vs. Bitcoin: Price (USD)

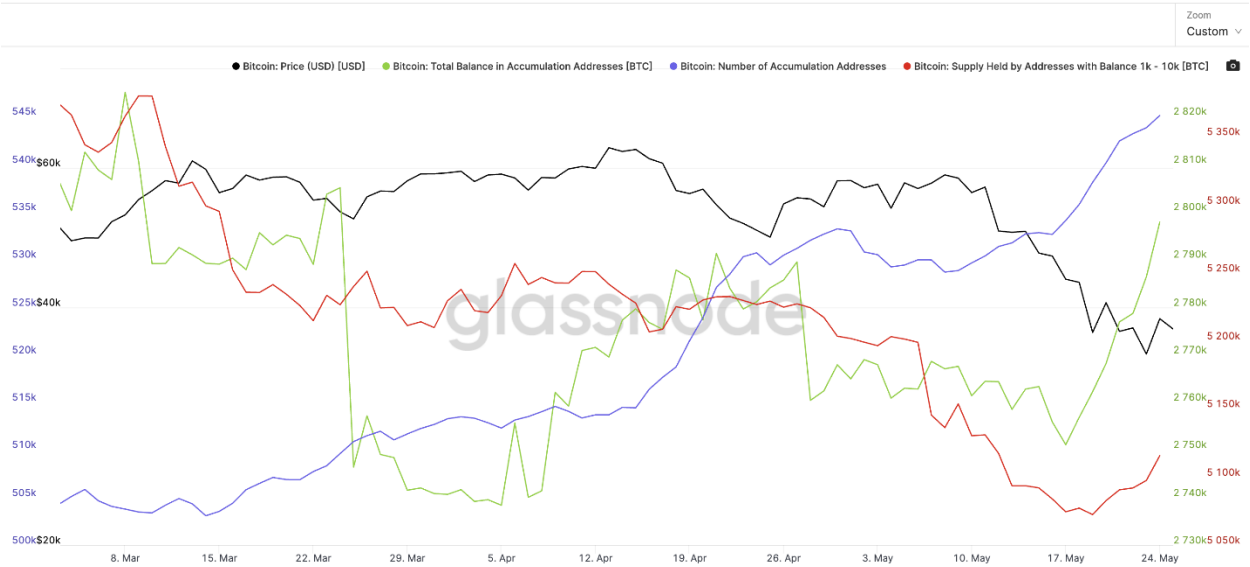


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What's been going on with these same whales since then, though? Here's what's encouraging. They have picked up the trend of the first quarter and, after making a profit on their sales earlier this month, they are taking advantage of current prices to start a new accumulation phase. In short, they have not left the market at all, they are just getting back into the swing of things.

Bitcoin: Price (USD) vs. Bitcoin: Total Balance in Accumulation Addresses vs. Bitcoin: Number of Accumulation Addresses vs. Bitcoin: Supply Held by Addresses with B... 04-03-2021 → 25-05-2021



Each month end also brings options expiration. What is the maximum pain price, the price at which most options expire outside of a profit zone for buyers? Around \$45,000. Historically, we have often seen the price approach this level on the last few days of the month. This could support a significant technical push for a clearer recovery and continuation of the bull market.

On the fund side, we were among those who sold a large portion of the assets at the very beginning of the decline, allowing investors to avoid most of the pullback. We are currently balancing the primary objective of protecting capital with the goal of not missing out on the current rebound and its desired continuation.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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